

BELDING HOUSING COMMISSION
BELDING, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Belding Housing Commission	County Ionia
Fiscal Year End June 30, 2007	Opinion Date December 31, 2007	Date Audit Report Submitted to State January 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Controls in Accordance with GAS	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

BELDING HOUSING COMMISSION
TABLE OF CONTENTS
June 30, 2007

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-11
Basic Financial Statements:	
Statement of Net Assets	12-13
Statement of Revenues, Expenses, and Changes in Net Assets	14
Statement of Cash Flows	15-16
Notes to Financial Statements	17-25
SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	26-27
Combining Statement of Revenues, Expenses, and Changes in Net Assets By Program	28
Combining Statement of Cash Flows By Program	29-30
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	31
Financial Data Schedule	32-35
REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Schedule of Findings:	
Section I - Financial Statement Findings	38
Section II - Federal Awards Findings	38-40
ADJUSTING JOURNAL ENTRIES	41

Independent Auditor's Report

Board of Commissioners
Belding Housing Commission
Belding, Michigan

I have audited the accompanying basic financial statements of the business-type activities and the aggregate remaining fund information of the Belding Housing Commission, Michigan, a component unit of the City of Belding, as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Belding Housing Commission, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Belding Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated December 31, 2007, on my consideration of Belding Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 10, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Belding Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in all material respects, in relation to the basic financial statements taken as a whole.

Sandy E. Zandvort, CPA, PC

December 31, 2007

**Belding Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Unaudited)**

As management of the Belding Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Belding Housing Commission's financial activities for the fiscal year ended June 30, 2007. This discussion and analysis letter of the Belding Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transactions has actually taken place.

Financial Highlights

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2007 were \$3,253,276. The net assets decreased by \$148,316, a decrease of 4.4% from the prior year.

Revenues and contributions for the Commission were \$655,649 for the year ended June 30, 2007. This was an decrease of \$121,914 or 15.7% from the prior year.

Expenses for the Commission were \$801,639 for the year ended June 30, 2007. This was a increase of \$6,595 or 0.8% from the prior year.

HUD operating grant subsidies were \$176,858 for the year ended June 30, 2007. This was an increase of \$4,301 or 2.5% over the prior year. Capital contributions for the Commission were \$60,713 for the year ended June 30, 2007. This was a decrease of \$144,770 or 70.5% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Belding Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Belding Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

Belding Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 140 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. Normally a Housing Commission has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies, but since the Housing Commission has less than 250 units they are permitted to use more than 20%. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$3,253,276 at the close of the year ended June 30, 2007 down from \$3,401,592 in 2006. The decrease in net assets of \$148,316 was due to the change in net assets for the year of \$145,990 and a prior period adjustment of \$2,326 to accrued liabilities.

The unrestricted net assets were \$159,886 as of June 30, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET ASSETS
JUNE 30,**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Current and other assets	\$ 244,871	\$ 228,788	\$ 16,083
Capital assets	<u>3,093,390</u>	<u>3,250,306</u>	<u>(156,916)</u>
Total assets	<u>\$3,338,261</u>	<u>\$3,479,094</u>	<u>\$ (140,833)</u>
Current liabilities	<u>\$ 84,985</u>	<u>\$ 77,502</u>	<u>\$ 7,483</u>
Net assets:			
Invested in capital assets	3,093,390	3,250,306	(156,916)
Unrestricted net assets	<u>159,886</u>	<u>151,286</u>	<u>8,600</u>
Total net assets	<u>3,253,276</u>	<u>3,401,592</u>	<u>(148,316)</u>
Total liab. & net assets	<u>\$3,338,261</u>	<u>\$3,479,094</u>	<u>\$ (140,833)</u>

Belding Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

Current and other assets increased by \$16,083, in part, due to current liabilities increasing by \$7,483 over the prior year and a positive cash flow of \$10,926 after considering the difference between depreciation of \$182,102, capital outlays of \$(25,186), and the change in net assets of \$(145,990).

Current liabilities increased by \$7,483, in part, due to a bank overdraft of \$1,412, accounts payable to vendors of \$2,503 being set up this fiscal year, and an increase in tenant security deposits of \$2,456 over the prior fiscal year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The decrease of \$156,916 in capital assets, is due to the depreciation expense of \$182,102, netted against net, capital outlays of \$25,186.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions decreased by \$121,914, in part, due to a decrease in federal funding of \$140,469 from the prior fiscal year. Tenant rents increased by \$14,992 over the prior fiscal year, due to tenant incomes being higher. The increase in interest income is due primarily to interest rates being higher.

Belding Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS JUNE 30,**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
Revenues and Contributions			
Dwelling rent	\$ 392,674	\$ 377,682	\$ 14,992
Nondwelling rent	18		18
Interest income	9,002	5,671	3,331
Other income	16,384	16,170	214
HUD operating grants	176,858	172,557	4,301
Capital contributions	<u>60,713</u>	<u>205,483</u>	<u>(144,770)</u>
Total Revenues and Contributions	<u>655,649</u>	<u>777,563</u>	<u>(121,914)</u>
Expenses			
Personal services	324,442	309,215	15,227
Utilities	106,798	110,119	(3,321)
Operations and maintenance	85,081	79,134	5,947
Insurance	30,617	29,066	1,551
Payment in lieu of taxes	27,956	26,175	1,781
Other supplies and expenses	44,643	57,280	(12,637)
Depreciation	<u>182,102</u>	<u>184,055</u>	<u>(1,953)</u>
Total Expenses	<u>801,639</u>	<u>795,044</u>	<u>6,595</u>
Change in Net Assets	<u>\$ (145,990)</u>	<u>\$ (17,481)</u>	<u>\$ (128,509)</u>

Total expenses for the Commission increased by \$6,595, due in part, to cost of living raises in wages, increase overtime pay in the maintenance department, and health insurance increases.

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>06/30/07</u>	<u>06/30/06</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$176,858	\$172,557	\$ 4,301	2.5%
Capital Fund Program	<u>60,713</u>	<u>205,483</u>	<u>(144,770)</u>	<u>(70.5)%</u>
Total	<u>\$237,571</u>	<u>\$378,040</u>	<u>\$ (140,469)</u>	<u>(37.2)%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The Public Housing subsidy increased slightly over the prior year due to a combination of factors including tenant rent changes. Capital Fund Program grants were used for both capital improvements and for operating purposes. During the fiscal year ending June 30, 2007 the 2005 CFP grant of \$166,065 is in progress with a total of \$55,114 being disbursed. The prior fiscal year had completed the entire 2004 CFP grant and part of the 2003 CFP grant, therefore, the reason for the \$144,770 decrease from the prior fiscal year.

**Belding Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)**

FINANCIAL ANALYSIS (CONTINUED)

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ended June 30, 2007 was prepared.

OPERATIONAL HIGHLIGHTS

The Belding Housing Commission provided 140 housing units to very low-income elderly and persons with disabilities during the fiscal year ending June 30, 2007. During the fiscal year ending June 30, 2007, the Belding Housing Commission maintained a lease-up rate of 96.5% in its Public Housing Program. This lease-up rate is in line with HUD guidelines.

Belding Housing Commission continues to investigate the possibility of bringing assisted-living-type services into one of its elderly developments. Success has been gained in bringing recognition from local, state and federal levels for the need for these services. The decision to continue with the endeavor depends on success in identifying and obtaining a viable financial resource to support the services. The need for services to the frail elderly population is great, and continues to grow. Continued education in our communities and with elected officials about this need, and striving to develop financial partnerships at all levels will assist in allowing our population to age in place. It is our belief that these partnerships will provide humanitarian benefits for residents, and financial relief to the overly-burdened state and federal budgets.

Funding levels for operations and capital improvements are expected to continue to decline, in accordance with funding cuts at the federal level for these programs. Belding Housing Commission will continue to provide safe, affordable housing to eligible persons of low income, and will pursue capital improvements in accordance with the five-year and annual plan. Federal Fiscal Year 2006 Capital Funds were obligated to complete replacement of the existing maintenance garage, and support for operations. Federal Fiscal Year 2007 Capital funds have not yet been obligated.

There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position(net assets) or results of operations(revenues, expenses, and other changes in net assets).

Belding Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

CAPITAL ASSETS

Capital Assets - The Belding Housing Commission's investment in capital assets, as of June 30, 2007 amounts to \$3,093,390 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
JUNE 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 224,673	\$ 224,673	\$
Buildings	5,390,329	5,388,815	1,514
Furniture, equip. & machinery-dwellings	87,175	80,956	6,219
Furniture, equip. & machinery-admin.	274,343	271,138	3,205
Building improvements	<u>14,248</u>	<u>14,248</u>	<u>14,248</u>
	5,990,768	5,965,582	25,186
Accumulated depreciation	<u>(2,897,378)</u>	<u>(2,715,276)</u>	<u>(182,102)</u>
Total	<u>\$3,093,390</u>	<u>\$3,250,306</u>	<u>\$ (156,916)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$156,916 or 4.8% in terms of net book value. The capital expenditures during the current fiscal year included \$2,520 for a salt & sand spreader, \$4,589 for flooring and gas ranges, architect fees of \$15,763, and a topographic survey.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

Belding Housing Commission
Management's Discussion and Analysis (MD&A)
June 30, 2007
(Continued)

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Sharon L. Carlson, Executive Director
41 Belhaven
Belding, Michigan 48809

FINANCIAL STATEMENTS

BELDING HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2007
=====

ASSETS

Current Assets:	
Cash	\$ 38,884
Receivables	8,363
Investments-unrestricted	178,611
Prepaid expenses	<u>19,013</u>
Total Current Assets	<u>244,871</u>
Capital Assets:	
Land	224,673
Buildings	5,390,329
Equipment	361,518
Building improvements	<u>14,248</u>
	5,990,768
Less: accumulated depreciation	<u>(2,897,378)</u>
Net Capital Assets	<u>3,093,390</u>
Total Assets	<u><u>\$ 3,338,261</u></u>

See notes to financial statements

BELDING HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2007
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LIABILITIES and NET ASSETS

Current Liabilities:

Bank overdraft	\$ 1,412
Accounts payable	30,459
Tenant security deposit liability	38,397
Accrued expenses	10,637
Deferred revenues	<u>4,080</u>

Total Current Liabilities	<u>84,985</u>
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Net Assets:

Invested in capital assets	3,093,390
Unrestricted net assets	<u>159,886</u>

Total Net Assets	<u>3,253,276</u>
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Total Liabilities and Net Assets	<u><u>\$ 3,338,261</u></u>
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See notes to financial statements

BELDING HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year Ended June 30, 2007
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OPERATING REVENUES:

Dwelling rent	\$ 392,674
Nondwelling rent	<u>18</u>
Total operating revenues	<u>392,692</u>

OPERATING EXPENSES:

Administration	227,541
Tenant services	7,293
Utilities	106,798
Ordinary maintenance and operation	216,934
General expenses	59,599
Casualty losses	1,372
Depreciation	<u>182,102</u>
Total operating expenses	<u>801,639</u>

Operating income(loss)	<u>(408,947)</u>
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NONOPERATING REVENUES:

Investment interest income	9,002
Other income	16,384
Operating grants	223,323
Capital grants	<u>14,248</u>

Total nonoperating revenues	<u>262,957</u>
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Change in net assets	(145,990)
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Prior period adjustment	(2,326)
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Net assets, beginning	<u>3,401,592</u>
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Net assets, ending	<u><u>\$ 3,253,276</u></u>
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See notes to financial statements

BELDING HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 391,981
Cash payments to other suppliers of goods and services	(264,479)
Cash payments to employees for services	(324,387)
Cash payments for in lieu of taxes	(26,175)
Net cash (used) by operating activities	<u>(223,060)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	2,456
Operating grants	217,724
Other revenue	<u>16,384</u>
Net cash provided by noncapital financing activities	<u>236,564</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	14,248
Payments for capital acquisitions	<u>(25,186)</u>
Net cash (used) by capital and related financing activities	<u>(10,938)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments decreased	21,394
Receipts of interest and dividends	<u>9,002</u>
Net cash provided by investing activities	<u>30,396</u>

Net increase(decrease) in cash	32,962
Cash, beginning	<u>5,922</u>
Cash, ending	<u>\$ 38,884</u>

BELDING HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2007
=====

RECONCILIATION OF OPERATING INCOME(LOSS)
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES:

Operating income(loss)	\$(408,947)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	182,102
Prior period adjustment	(2,326)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	13
Prepaid expenses and other assets	1,071
Increase (decrease) in liabilities:	
Bank overdraft	1,412
Accounts payable	2,503
Accounts payable in lieu of taxes	1,781
Accrued wages/payroll taxes	55
Deferred revenues	(724)
Net cash (used) by operating activities	<u>\$(223,060)</u>

See notes to financial statements

BELDING HOUSING COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007
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NOTE 1: Summary of Significant Accounting Policies

Belding Housing Commission(Housing Commission) is a component unit of the City of Belding, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Belding on April 3, 1951, consisting of a five member board appointed by the City Manager. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Belding Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

1(d) Assets, Liabilities, and Equity (Continued)

Estimates and Assumptions (Continued)

expenses.

Capital Assets

The accounting treatment over property, plan, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$25 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	10 years
Furniture, equipment and machinery	5 - 10 years

Compensated Absences

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave, an employee who is permanently separated shall be paid, in a lump sum at his/her current rate of pay for all unused vacation leave prorated to the date of separation. Vacation leave not taken by employees may not be accumulated to exceed the number of weeks earned in one year, unless otherwise approved by the Commission. Employees are encouraged to take annual vacation leave to the extent that it is earned.
- * Sick leave days are not accruable since the Commission provides short and long term disability insurance. Employees may be paid 50% for sick leave not taken during a calendar year at his/her regular rate of pay as an incentive to use sick leave judiciously.
- * Personal leave, each regular full-time employee shall be allowed two(2) personal leave days per year.

The amount of accumulated benefits at June 30, 2007, was minimal, and is not recorded as a liability in the applicable funds.

1(d) Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.s. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the fiscal year ended June 30, 2007, the Housing Commission complied in all material respects, with these revenue restrictions.

2(d) Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission(or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 38,406	\$ 38,406	\$	\$	\$
Money market	224	224			224
Savings	68	68			68
Certificate of of deposits	38,392	38,392			38,392
Total Deposits	<u>\$ 77,090</u>	<u>\$ 77,090</u>	<u>\$</u>	<u>\$</u>	<u>\$ 38,684</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Notes 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission(or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2007. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

3(a) Cash and Investments (Continued)

Investments (Continued)

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificate of deposits	<u>\$178,611</u>	<u>\$</u>	<u>\$</u>	<u>\$ 178,611</u>	<u>\$178,611</u>

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	\$ 38,684
Petty cash	100
Change fund	100
Investments	<u>178,611</u>
Total	<u>\$ 217,495</u>

Cash and cash equivalents:	
Enterprise activities	\$ 257,313
Enterprise activities - checks written in excess of deposits	(39,818)
Total	<u>\$ 217,495</u>

3(b) Accounts Receivable

Receivables detail at June 30, 2007, is as follows:

HUD	\$ 5,599
Tenant accounts receivable	<u>2,764</u>
	<u>\$ 8,363</u>

3(c) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance 06/30/06	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/07
Low Rent Program				
Land	\$ 314,245	\$	\$ (89,572)	\$ 224,673
Buildings	5,299,243	91,086		5,390,329
Furniture, equip. & machinery - dwellings	80,956	6,219		87,175
Furniture, equip. & machinery - administration	<u>271,138</u>	<u>3,205</u>		<u>274,343</u>
	5,965,582	<u>\$ 100,510</u>	<u>\$ (89,572)</u>	5,976,520
Less accumulated depreciation	<u>(2,715,276)</u>	<u>\$ (182,102)</u>		<u>(2,897,378)</u>
Total	<u>\$ 3,250,306</u>			<u>\$ 3,079,142</u>

3(c) Capital Assets (Continued)

	Balance 06/30/06	Additions/ Transfers	Retirements/ Transfers	Balance 06/30/07
Capital Fund				
Program				
Building improvements	\$	14,248	\$	\$ 14,248
Combined Totals				<u>\$ 3,093,390</u>

3(d) Accounts Payable

Payable detail at June 30, 2007, is as follows:

Accounts payable - vendors	\$	2,503
Accounts payable - other government - PILOT		<u>27,956</u>
	\$	<u>30,459</u>

3(e) Interprogram Transactions and Balances

The Capital Fund Program transferred \$46,465 to the Low Rent Program during the fiscal year ending June 30, 2007.

There was a \$5,599 interprogram payables from the capital fund program to the low rent program as of June 30, 2007.

NOTE 4: Other Information

4(a) Pension Plan

The Housing Commission contributes to the City of Belding Retirement Plan, a defined contribution plan administered by Massachusetts Mutual Insurance Company. The Housing Commission contributes an amount equal to 9% of each employee's earnings to the plan. Although no employee contributions are required, voluntary contributions of up to an additional 10% of earnings are allowed. The Housing Commission contributed a total of \$18,810. Further details are available from the City of Belding.

4(b) Prior Period Adjustment

Low Rent Program

Correction of prior year accrual	<u>\$ (2,326)</u>
----------------------------------	-------------------

4(c) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees, employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Retention.
b. Injuries to employees (workers' compensation)	Participates with the City of Belding's plan.
c. Physical property loss and natural disasters	Purchased insurance with Housing Insurance Services.
d. Health, dental, optical, life	Participates with the City of Belding's plan.
e. Flood	Purchased insurance with State Farm Insurance Company.
f. Auto	Purchased insurance with Housing Insurance Services.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(d) Commitments and Contingencies

Commitments - Construction

At June 30, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 166,065	\$ 54,917
2006 CFP	<u>160,311</u>	
	<u>\$ 326,376</u>	<u>\$ 54,917</u>

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

SUPPLEMENTARY INFORMATION

BELDING HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM
June 30, 2007
=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash-unrestricted	\$ 487	\$
Cash-tenant security deposits	38,397	
Receivables:		
HUD		5,599
Accounts - dwelling rents	2,764	
Investments-unrestricted	178,611	
Prepaid expenses and other assets	19,013	
Due to other programs	<u>5,599</u>	
Total current assets	<u>244,871</u>	<u>5,599</u>
Capital assets:		
Land	224,673	
Buildings	5,390,329	
Equipment	361,518	
Building improvements		<u>14,248</u>
	5,976,520	14,248
Less accumulated depreciation	<u>(2,897,378)</u>	
Net capital assets	<u>3,079,142</u>	<u>14,248</u>
Total Assets	<u>\$ 3,324,013</u>	<u>\$ 19,847</u>

Totals

\$ 487
38,397

5,599
2,764
178,611
19,013
5,599

250,470

224,673
5,390,329
361,518
14,248
5,990,768
(2,897,378)

3,093,390

\$ 3,343,860

BELDING HOUSING COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM (CONTINUED)
 June 30, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Bank overdraft	\$ 1,412	\$
Accounts payable	30,459	
Tenant security deposit liability	38,397	
Accrued expenses	10,637	
Deferred revenues	4,080	
Due to other programs		<u>5,599</u>
Total current liabilities	<u>84,985</u>	<u>5,599</u>
Net assets:		
Invested in capital assets	3,079,142	14,248
Unrestricted net assets	<u>159,886</u>	
Total net assets	<u>3,239,028</u>	<u>14,248</u>
Total Liabilities and Net Assets	<u>\$3,324,013</u>	<u>\$ 19,847</u>

Totals

\$ 1,412
30,459
38,397
10,637
4,080
5,599

90,584

3,093,390
159,886

3,253,276

\$ 3,343,860

BELDING HOUSING COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM
 Year Ended June 30, 2007
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 392,674	\$
Nondwelling rent	<u>18</u>	<u> </u>
Total operating revenues	<u>392,692</u>	<u> </u>
OPERATING EXPENSES:		
Administration	227,541	
Tenant services	7,293	
Utilities	106,798	
Ordinary maintenance and operation	216,934	
General expenses	59,599	
Casualty losses	1,372	
Depreciation	<u>182,102</u>	<u> </u>
Total operating expenses	<u>801,639</u>	<u> </u>
Operating income(loss)	<u>(408,947)</u>	<u> </u>
NONOPERATING REVENUES (EXPENSES) :		
Operating transfers in(out)	46,465	(46,465)
Investment interest income	9,002	
Other income	16,384	
Operating grants	176,858	46,465
Capital grants	<u> </u>	<u>14,248</u>
Total nonoperating revenues (expenses)	<u>248,709</u>	<u>14,248</u>
Change in net assets	(160,238)	14,248
Prior period adjustments	(2,326)	
Net assets, beginning	<u>3,401,592</u>	<u> </u>
Net assets, ending	<u>\$3,239,028</u>	<u>\$ 14,248</u>

<u>Totals</u>	
\$	392,674
	<u>18</u>
	392,692
	227,541
	7,293
	106,798
	216,934
	59,599
	1,372
	<u>182,102</u>
	801,639
	<u>(408,947)</u>
	9,002
	16,384
	223,323
	<u>14,248</u>
	262,957
(145,990)
(2,326)
	<u>3,401,592</u>
\$	<u><u>3,253,276</u></u>

BELDING HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended June 30, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 391,981	\$
Cash payments to other suppliers of goods and services	(264,479)	
Cash payments to employees for services	(324,387)	
Cash payments for in lieu of taxes	<u>(26,175)</u>	
Net cash (used) by operating activities	<u>(223,060)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in(out)	46,465	(46,465)
Interprogram due from/payable	(5,599)	5,599
Tenant security deposits	2,456	
Operating grants	176,858	40,866
Other revenue	<u>16,384</u>	
Net cash provided by noncapital financing activities	<u>236,564</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		14,248
Payments for capital acquisitions	<u>(10,938)</u>	<u>(14,248)</u>
Net cash (used) by capital and related financing activities	<u>(10,938)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments decreased	21,394	
Receipts of interest and dividends	<u>9,002</u>	
Net cash provided by investing activities	<u>30,396</u>	
Net increase(decrease) in cash	32,962	
Cash, beginning	<u>5,922</u>	
Cash, ending	<u><u>\$ 38,884</u></u>	<u><u>\$</u></u>

Totals

\$ 391,981

(264,479)

(324,387)

(26,175)

(223,060)

2,456

217,724

16,384

236,564

14,248

(25,186)

(10,938)

21,394

9,002

30,396

32,962

5,922

\$ 38,884

BELDING HOUSING COMMISSION
 COMBINING STATEMENT OF CASH FLOWS
 BY PROGRAM (CONTINUED)
 Year Ended June 30, 2007
 =====

	Low Rent	Capital
	Program	Fund
	14.850a	Program
		14.872

**RECONCILIATION OF OPERATING INCOME
 (LOSS) TO NET CASH PROVIDED(USED)
 BY OPERATING ACTIVITIES:**

Operating income(loss)	\$ (408,947)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	182,102	
Prior period adjustment	(2,326)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	13	
Prepaid expenses and other assets	1,071	
Increase (decrease) in liabilities:		
Bank overdraft	1,412	
Accounts payable	2,503	
Accounts payable-PILOT	1,781	
Accrued wages/payroll taxes	55	
Deferred revenues	(724)	
Net cash (used) by operating activities	<u>\$ (223,060)</u>	<u>\$</u>

Totals

\$ (408,947)

182,102
(2,326)

13

1,071

1,412

2,503

1,781

55

(724)

\$ (223,060)

BELDING HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended June 30, 2007
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 176,858
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	<u>55,114</u>
	Total		<u>\$ 231,972</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BELDING HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 487	\$
114	Cash-tenant security deposits	<u>38,397</u>	<u></u>
100	Total cash	<u>38,884</u>	<u></u>
	Receivables:		
122	A/R-HUD other projects		5,599
126	A/R-tenants-dwelling rents	<u>2,764</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>2,764</u>	<u>5,599</u>
	Current Investments:		
131	Investments-unrestricted	<u>178,611</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	19,013	
144	Interprogram due from	<u>5,599</u>	<u></u>
	Total other current assets	<u>24,612</u>	<u></u>
150	Total current assets	<u>244,871</u>	<u>5,599</u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	224,673	
162	Buildings	5,390,329	
163	Furn, equip & mach-dwellings	87,175	
164	Furn, equip & mach-admin.	274,343	
165	Building improvements		14,248
166	Accumulated depreciation	<u>(2,897,378)</u>	<u></u>
160	Total fixed assets, net of accumulated depreciation	<u>3,079,142</u>	<u>14,248</u>
180	Total noncurrent assets	<u>3,079,142</u>	<u>14,248</u>
190	Total Assets	<u>\$ 3,324,013</u>	<u>\$ 19,847</u>

Totals

\$ 487
38,397

38,884

5,599

2,764

8,363

178,611

19,013

5,599

24,612

250,470

224,673

5,390,329

87,175

274,343

14,248

(2,897,378)

3,093,390

3,093,390

\$ 3,343,860

BELDING HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2007
 =====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
311	Bank overdraft	\$ 1,412	\$
312	Accounts payable<=90 days	2,503	
321	Accrued wage/payroll taxes payable	10,637	
333	Accounts payable-other government	27,956	
341	Tenant security deposits	38,397	
342	Deferred revenues	4,080	
347	Interprogram due to		<u>5,599</u>
310	Total current liabilities	<u>84,985</u>	<u>5,599</u>
300	Total liabilities	<u>84,985</u>	<u>5,599</u>
	Equity:		
508.1	Invested in capital assets	<u>3,079,142</u>	<u>14,248</u>
508	Total equity	3,079,142	14,248
	Net Assets:		
512.1	Unrestricted net assets	<u>159,886</u>	
513	Total equity/net assets	<u>3,239,028</u>	<u>14,248</u>
600	Total Liabilities and Equity/Net Assets	<u>\$3,324,013</u>	<u>\$ 19,847</u>

Totals

\$ 1,412
2,503

10,637

27,956

38,397

4,080

5,599

90,584

90,584

3,093,390

3,093,390

159,886

3,253,276

\$ 3,343,860

BELDING HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2007
 =====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 392,674	\$
704	Tenant revenue-other	<u>18</u>	
705	Total tenant revenue	392,692	
706	HUD PHA grants	176,858	46,465
706.1	Capital grants		<u>14,248</u>
711	Investment income-unrestricted	9,002	
715	Other revenue	<u>16,384</u>	
700	Total revenue	<u>594,936</u>	<u>60,713</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	127,713	
912	Auditing fees	4,300	
915	Employee benefit contributions-adm.	58,599	
916	Other operating-administrative	36,929	
	Tenant Services:		
921	Tenant services-salaries	3,822	
923	Employee benefit contributions	1,083	
924	Tenant services-other	2,388	
	Utilities:		
931	Water	30,795	
932	Electricity	20,579	
933	Gas	55,424	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	90,930	
942	Ordinary maint & oper-mat'ls & other	18,348	
943	Ordinary maint & oper-contract costs	65,361	
945	Employee benefit contributions- ordinary maintenance	42,295	
	General expenses:		
961	Insurance premiums	30,617	
963	Payments in lieu of taxes	27,956	
964	Bad debt-tenant rents	<u>1,026</u>	
969	Total operating expenses	<u>618,165</u>	
970	Excess operating revenue over operating expenses	<u>(23,229)</u>	<u>60,713</u>

Totals

\$ 392,674
18

392,692

223,323

14,248

9,002

16,384

655,649

127,713

4,300

58,599

36,929

3,822

1,083

2,388

30,795

20,579

55,424

90,930

18,348

65,361

42,295

30,617

27,956

1,026

618,165

37,484

BELDING HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2007
 =====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
972	Casualty losses-noncapitalized	1,372	
974	Depreciation expense	<u>182,102</u>	
	Total other expenses	<u>183,474</u>	
900	Total expenses	<u>801,639</u>	
	Other Financing Sources(Uses):		
1001	Operating transfers in	46,465	
1002	Operating transfers (out)		<u>(46,465)</u>
	Total other financing sources(uses)	<u>46,465</u>	<u>(46,465)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(160,238)	14,248
1104	Prior period adjustments, equity transfers and correction of errors	(2,326)	
1103	Beginning Net Assets	<u>3,401,592</u>	
	Ending Net Assets	<u>\$ 3,239,028</u>	<u>\$ 14,248</u>

Totals

1,372

182,102

183,474

801,639

46,465

(46,465)

(145,990)

(2,326)

3,401,592

\$ 3,253,276

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Belding Housing Commission
Belding, Michigan

I have audited the financial statements of the business-type activities of Belding Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated December 31, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Belding Housing Commission
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sam E. Tardiff, CPA PC

December 31, 2007

BELDING HOUSING COMMISSION

SCHEDULE OF FINDINGS

June 30, 2007

=====

SECTION I - FINANCIAL STATEMENT FINDINGS

None

SECTION II - FEDERAL AWARD FINDINGS

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-1: Year Ended June 30, 2007

Condition and Criteria: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Effect: It could be difficult to determine if the tenants are eligible for the program in all cases without proper and complete documentation.

Cause: The staff in charge of this program did not obtain 100% of the correctly completed documentation.

Population and Items Tested: We selected 7 public housing files to test from an AD-hoc Tenant Report supplied by the Housing Commission. We started with the 18th tenant on the list and selected every 18th tenant after that until a total of 7 were selected from a population of 132 tenant files.

BELDING HOUSING COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)
June 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-1: Year Ended June 30, 2007

Population and Items Tested (Continued):

We found the following exceptions in the documentation in the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	3
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	2
5. Incorrect Verification of Assets	2
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Worksheet for HUD-50058 missing or incorrect	0
12. Flat Rent/Income Based Rent Choice missing or incorrect	2
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	1
16. Check for Previous Eviction from Public Housing not done or incorrect	0
17. Annual Family Composition Review missing or incorrect	0
18. Annual Review missing or incorrect	<u>0</u>
Total	<u>10</u>

Out of a possible 126, there were 10 exceptions from this test. This represents an exception rate of 7.9%.

Auditor's Recommendation: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

BELDING HOUSING COMMISSION
SCHEDULE OF FINDINGS (CONTINUED)
June 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-1 (Continued): Year Ended June 30, 2007

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	P-002-0028-06			x						
2	P-003-0361-02			x		x			x	
3	P-001-0013-20									
4	P-002-0023-09			x						
5	P-002-0025-07					x			x	
6	P-003-0358-04									
7	P-003-0353-11					x			x	
Number of Hits		<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>
Percentage of Hits		<u>0%</u>	<u>0%</u>	<u>43%</u>	<u>0%</u>	<u>43%</u>	<u>0%</u>	<u>0%</u>	<u>43%</u>	<u>0%</u>

LEGEND

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

BELDING HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 Year Ended June 30, 2007
 =====

Electronic
 Submission
Line #

Account Name

Debit

Credit

(1)

114	Cash-tenant security deposit	\$38,397	
135	Investments-restricted		\$38,397

(2)

508.1	Invested in capital assets	1	
512.1	Unrestricted net assets		1